

April 20, 2022

## Outline of economic sanctions against Russia resulting from the situation in Ukraine (3)

Kobayashi Eiji / Matsushima Kie

In response to Russia's invasion of Ukraine, the Japanese government has been imposing economic sanctions against Russia since February 26, 2022. Our newsletters dated March 10 and March 24, 2022 introduced an overview of the economic sanctions imposed by Japan as of March 18, 2022. Since then, additional economic sanctions have been imposed. In particular, the additional sanctions include those imposed on April 12, 2022, which prohibit new investment in, and the import of certain goods from, Russia, developments which also merit the reader's attention. This newsletter provides an overview of these latter sanctions of March 25 and April 12).

### 1. Expansion of Designated Persons Subject to an Asset Freeze

The sanctions imposed in 2022 as a consequence of Russia's military invasion of Ukraine added to the list of relevant persons and organizations within the Russian Federation and the Republic of Belarus that have been deemed Designated Persons subject to an asset freeze under the 2014 Sanctions imposed upon the Annexation of Crimea. The newly Designated Persons as of March 18, 2022 are described in our newsletters dated March 10 and 24, 2022. The Japanese government has subsequently designated the additional four categories of organizations and individuals listed below as now being subject to an asset freeze (the first three of which entered into force on the date the designation was made):

- (1) 25 individuals, including the chairman of Severstal and Severgroup, a main shareholder of Bank Rossiya, and relatives of executives of sanctioned companies, who were designated on March 25
- (2) 26 organizations of the Russian Federation, including JSC Tactical Missiles Corporation, JSC Ryazanskoe Konstruktorskoe Bjuro Globus, which were designated on April 12.
- (3) 398 individuals from Russia, including state assembly members and children of the president of the Russian Federation, who were designated on April 12.

(4) The two Russian banks (Sberbank, Alpha Bank) that were designated on April 12 (effective from May 12).

Please refer to the table at the end of this newsletter for the names of Designated Persons who are now subject to an asset freeze.

## **2. Ban on New Investment and Long-term Loans to the Russian Federation**

A notification issued by the Ministry of Finance (“**MOF**”) dated April 12, 2022 (MOF notification No. 122) prohibits outward direct investments in respect of Russia-related businesses made after May 12 2022. More specifically, "outward direct investments" in respect of (i) business carried out in Russia, or (ii) business carried out in a foreign country outside Russia by a Russian legal entity (including any branches, sub-branches or other offices located outside Russia) or by a corporation that is effectively controlled by a Russian legal entity, now require the permission of the MOF.

"Outward Direct Investment" includes the below:

- ① A Japanese resident acquires securities pertaining to the acquisition of shares or capital contributions that constitute 10% or more of a foreign legal entity.
- ② A Japanese resident acquires securities issued by a foreign legal entity, 10% or more of shares or capital contributions of which it holds
- ③ A Japanese resident makes a monetary loan (limited to a loan with a term of more than one year) to a foreign legal entity, 10% or more of shares or capital contributions of which it holds
- ④ A Japanese resident pays money to establish or expand a branch, factory or any other locale in a foreign country.

Based on the above, investment in a Russian legal entity that involves the acquisition of 10% or more of its capital is subject to obtaining the permission of the MOF. A Japanese company that already holds 10% or more of the capital of a Russian legal entity will also need the permission of the MOF to make additional investments and to extend long-term loans (more than one year) to any of its Russian subsidiaries.

It should be noted that not only Outward Direct Investment in a Russian legal entity, but also Outward Direct Investment in respect of businesses in Russia may be prohibited. It should also be noted that Outward Direct Investment in a project conducted even outside Russia is banned, if the project entity is a Russian legal entity or a corporation effectively controlled by a Russian legal entity.

In addition to the ban on Outward Direct Investment, permission of the MOF is required for any financial injections in relation to Russia which might have the nature of investment in a form other than the acquisition of securities from, or the provision of long-term loans to, a legal entity. Namely, permission from the MOF is required for the following payments to a foreign country to finance business in Russia

or business with Russian parties (MOF notification No.121).

In other words, the following payments are subject to the permission of the MOF:

- ① A Japanese resident effects a payment abroad from Japan for business activities in Russia conducted by a partnership or other organization with a third party with which it has established a joint enterprise relationship (“payment to businesses in Russia”)
- ② A Japanese resident effects a payment abroad from Japan for business activities outside Russia conducted by a partnership or other organization with which it has established a joint enterprise relationship together with either (i) an individual domicile or resident in Russia or (ii) a Russian legal entity or organization, or (iii) a legal entity or organization effectively controlled by (i) or (ii) above (“payment to businesses with Russian parties”).

These payment restrictions target a broad range of payments, including investments in a joint venture business in Russia in a form other than a legal entity, and payments for businesses with a Russian legal entity outside Russia.

Outward Direct Investments in Russia-related business requires the permission of the Minister of Economy, Trade and Industry (“**METI**”) if it falls under a specified category of capital transactions (i.e., a long term (more than one year) loan contract concluded as a settlement method of a price of an import/export or the transfer of industrial property rights, or a guarantee contract for obligations pertaining to an import/export, among others) (METI notification No. 98).

### 3. Import Ban

Economic sanctions against Russia and Belarus have until now prevented the export of weapons, military-related general purpose goods, and certain other goods (oil refining equipment, luxury goods, and other goods) to Russia and to Designated Persons. The import ban has been limited to those imports of goods from Ukraine with their origins in the Autonomous Republic of Crimea, the Special City of Sevastopol, the "Donetsk People's Republic" (self-proclaimed) and the "Luhansk People's Republic" (self-proclaimed). In addition to such import bans based on the importing point of origin, additional sanctions were issued on April 12, 2022 to ban the import of alcoholic beverages, timber, machinery and electric machinery from the Russian Federation (METI notification No. 97). These latter sanctions took effect beginning April 19, but there is a grace period of three months after the taking effect thereof that allows imports based on contracts concluded before said date to benefit from a transition period.

[Appended Table]

Outline of Asset Freeze and Other Measures (as of May 13, 2022)					
Main Sanctions		Designated Organizations	Designated Individuals		
Permission from MOF (or METI) is required for payments to the Designated Persons	Payment by a resident to a Designated Person, irrelevant of whether the payment is made from Japan or abroad	<b>16 organizations subject to the 2014 Sanctions</b> <ul style="list-style-type: none"> <li>· Chernomorneftegaz</li> <li>· Self-proclaimed Donetsk People's Republic</li> <li>· Self-proclaimed Donbass People's Militia, etc.</li> </ul> <b>1 bank subject to the Sanctions of 26 February 2022, and subsidiaries in which said bank holds 50% or more of equity interest (effective from March 28)</b> <ul style="list-style-type: none"> <li>· Bank Rossiya</li> </ul>	<b>66 individuals subject to the 2014 Sanctions</b> <ul style="list-style-type: none"> <li>· Officials of the Crimean Republic</li> <li>· People associated with the self-proclaimed Donetsk People's Republic, etc.</li> </ul> <b>24 individuals subject to the Sanctions of 26 February 2022</b> <ul style="list-style-type: none"> <li>· People associated with the self-proclaimed Donetsk People's Republic</li> <li>· People associated with the self-proclaimed Luhansk People's Republic</li> </ul>		
	Payment by a non-resident to a Designated Person made overseas from Japan			<b>3 banks subject to the Sanctions of 1 March 2022, and subsidiaries in which said banks (excluding the Central Bank of the Russian Federation) hold 50% or more of equity interest</b> <ul style="list-style-type: none"> <li>· Central Bank of the Russian Federation (effective from March 1)</li> <li>· Promsvyazbank (effective from March 31)</li> <li>· Vnesheconombank (VEB RF) (effective from March 31)</li> </ul> <b>4 banks subject to the Sanctions of 3 March 2022, and subsidiaries in which said banks hold 50% or more of equity interest (effective from April 2)</b> <ul style="list-style-type: none"> <li>· VTB Bank</li> <li>· Sovcombank</li> <li>· Novikombank</li> <li>· Otkritie</li> </ul>	<b>6 individuals subject to the Sanctions of 1 March 2022</b> <ul style="list-style-type: none"> <li>· President of Russia</li> <li>· Senior Russian officials</li> </ul> <b>18 individuals of Russia subject to the Sanctions of 3 March 2022</b> <ul style="list-style-type: none"> <li>· Senior Russian officials</li> <li>· CEO of Rosneft</li> <li>· CEO of Rostec, etc.</li> </ul>
	Payments by a Designated Person made overseas from Japan				
Permission from MOF is required for capital transactions (deposits, trusts and loans) with the Designated Persons	Deposit contract between a resident and a non-resident who is a Designated Person (however, this does not apply where a resident receives deposits from a non-resident)	<b>37 individuals of Belarus subject to the Sanctions of 3 March 2022</b>			
	Trust agreement between a resident and a non-resident who is a Designated Person (however, this does not apply where a resident is entrusted)				
	Transactions pertaining to the occurrence of claims based on a loan agreement by a resident to a non-resident who is a Designated Person				

		<p><b>2 organizations subject to the Sanction of 3 March 2022 and subsidiaries in which said organizations hold 50% or more of equity interest</b></p> <ul style="list-style-type: none"> <li>· State Authority for Military Industry of the Republic of Belarus</li> <li>· Minsk Wheel Tractor Plant</li> </ul> <p><b>2 Russian organizations subject to the Sanctions of 8 March 2022 and subsidiaries in which said organizations hold 50% or more of equity interest</b></p> <ul style="list-style-type: none"> <li>· Internet Research Agency</li> <li>· Private Military Company Wagner</li> </ul> <p><b>10 organizations of Belarus subject to the Sanctions of 8 March 2022 and subsidiaries in which said organizations hold 50% or more of equity interest</b></p> <ul style="list-style-type: none"> <li>· Beltechexport</li> <li>· Sinesis Group, etc.</li> </ul> <p><b>3 banks of Belarus subject to the Sanctions of 11 March 2022, and subsidiaries in which said banks hold 50% or more of equity interest (effective from April 10)</b></p> <ul style="list-style-type: none"> <li>· Belagroprombank</li> <li>· Bank Dabrabyt</li> <li>· Development Bank of the Republic of Belarus</li> </ul> <p><b>9 Russian organizations subject to the Sanctions of 18 March 2022 and subsidiaries in which said organizations hold 50% or more of equity interest</b></p> <ul style="list-style-type: none"> <li>· Rosneft Aero</li> </ul>	<ul style="list-style-type: none"> <li>· President of Belarus</li> <li>· Senior Belarusian officials</li> <li>· People associated with the self-proclaimed Donetsk People's Republic</li> <li>· People associated with the self-proclaimed Luhansk People's Republic</li> </ul> <p><b>20 individuals of Russia subject to the Sanctions of 8 March 2022</b></p> <ul style="list-style-type: none"> <li>· Senior Russian officials</li> <li>· Gas pipe construction company owners</li> <li>· CEO of Transneft, etc.</li> </ul> <p><b>12 individuals of Belarus subject to the Sanctions of 8 March 2022</b></p> <ul style="list-style-type: none"> <li>· Belarusian officials</li> <li>· Belarusian logistics company owners, etc.</li> </ul> <p><b>17 individuals of Russia subject to the Sanctions of 15 March 2022</b></p> <ul style="list-style-type: none"> <li>· Representatives of Russia</li> <li>· Business oligarchs, etc.</li> </ul> <p><b>15 individuals of Russia subject to the Sanctions of 18 March 2022</b></p> <ul style="list-style-type: none"> <li>· Senior Russian officials</li> <li>· A relative of Rosneft's CEO, etc.</li> </ul> <p><b>25 individuals of Russia</b></p>
--	--	--	--

		<p>·JSC Rosoboronexport, etc.</p> <p><b>26 Russian organizations subject to the Sanctions of 12 April 2022 and subsidiaries in which said organizations hold 50% or more of equity interest</b></p> <p>·JSC Tactical Missiles Corporation ·JSC Ryazanskoe Konstruktorskoe Bjuro Globus, etc.</p> <p><b>2 banks of Belarus subject to the Sanctions of 12 April 2022, and subsidiaries in which said banks hold 50% or more of equity interest (effective from May 2)</b></p> <p>·Sberbank ·Alfa Bank</p>	<p><b>subject to the Sanctions of 25 March 2022</b></p> <p>·Chairman of Severstal and Severgroup ·Main shareholder of Bank Rossiya ·Relatives of the officers of the Designated Organisations, etc.</p> <p><b>398 individuals of Russia subject to the Sanctions of 12 April 2022</b></p> <p>·Members of the State Duma of Russia ·Military members ·Relatives of the president of Russia ·Relatives of the Minister of Foreign Affairs of Russia, etc.</p> <p><b>8 individuals of Russia subject to the Sanctions of 10 May 2022</b></p> <p>·Prime Minister of Russia ·Senior Russian official ·Military members, etc.</p> <p><b>33 individuals of the "Donetsk People's Republic" (self-proclaimed) and the "Luhansk People's Republic" (self-proclaimed) subject to the Sanctions of 10 May 2022</b></p> <p>·Members of the People's Council of the Donetsk</p>
--	--	--	--

			People's Republic (self-proclaimed) · Members of the People's Council of the Luhansk People's Republic (self-proclaimed), etc.
--	--	--	---

Outline of Export Related Measures (as of May 13, 2022)			
	Ban on exports and provision of services to Designated Organizations		Designated Organizations
Approval from MOF or permission from METI is required.	Exports and provision of technologies to Designated Organizations of Russia		<b>49 Russian organizations subject to the Sanctions of 1 March 2022</b> <ul style="list-style-type: none"> <li>· Communication Center of the Ministry of Defense</li> <li>· International Center for Quantum Optics and Quantum Technologies</li> <li>· Rocket and Space Center - Progress</li> <li>· Moscow Institute of Physics and Technology</li> <li>· Rostec (Russian Technologies State Corporation)</li> <li>· Uniform Engine Corporation, etc.</li> </ul> <b>81 Russian organizations subject to the Sanctions of 25 March 2022</b> <ul style="list-style-type: none"> <li>· Shipbuilding companies, including PJSC Amur Shipbuilding Factory</li> <li>· Research institutions, including Microelectronic Research and Development Center Novosibirsk, etc.</li> </ul> <b>71 Russian organizations subject to the Sanctions of 10 May 2022 (effective from May 17)</b> <ul style="list-style-type: none"> <li>· JSC Almaz</li> <li>· Alagir Resistor Factory, etc.</li> </ul>
	Exports and provision of technologies to Designated Organizations of Belarus		<b>2 organizations of Belarus subject to the Sanctions of 8 March 2022</b> <ul style="list-style-type: none"> <li>· Ministry of Defense</li> <li>· Integral</li> </ul>
	<b>Ban on exports of, and provision of services related to, Designated Items</b>		<b>Designated Items</b>
	Exports and provision of services to Russia		<b>Goods subject to the Sanctions of 15 March 2022</b> <ul style="list-style-type: none"> <li>· Weapons and products subject to the International Export Control Regime (machine tools, carbon fibers, high-performance semiconductors, etc.)</li> </ul>

		<ul style="list-style-type: none"> <li>· General-purpose products that are seen as capable of contributing to the military capabilities of Russia (common semiconductors, computers, communication equipment, etc.)</li> <li>· Oil refining equipment</li> </ul> <p><b>Goods subject to the Sanctions of 13 May 2022 (effective from May 20)</b></p> <ul style="list-style-type: none"> <li>· Advanced articles (catalysts for oil refining, quantum computers and other devices utilizing quantum characteristics and their accessories, and components thereof, organic light-emitting diodes, organic field-effect transistors, and devices for manufacturing organic solar cells, etc.)</li> </ul>
	Exports to Russia	<p><b>Goods subject to the Sanctions of 29 March 2022</b></p> <ul style="list-style-type: none"> <li>· Luxury goods (luxury cars, notebook computers, technical goods, jewelry, liquor, leather goods, etc.)</li> <li>· Bills, gold coins, gold bullion, etc.</li> </ul>
	Exports and provision of services to Belarus	<p><b>Goods subject to the Sanctions of 15 March 2022</b></p> <ul style="list-style-type: none"> <li>· Products subject to the International Export Control Regime (machine tools, carbon fibers, high-performance semiconductors, etc.)</li> <li>· General-purpose products that are seen as capable of contributing to the military capabilities of Belarus (common semiconductors, computers, communication equipment, etc.)</li> </ul>
	<b>Ban on exports to Designated Areas</b>	<b>Designated Area</b>
	Exports to Designated Areas of Ukraine	<p><b>Areas subject to the Sanctions of 15 May 2022</b></p> <ul style="list-style-type: none"> <li>· The "Donetsk People's Republic" (self-proclaimed) in Donetsk Oblast and the "Luhansk People's Republic" (self-proclaimed) in Luhansk Oblast in Ukraine</li> </ul>

Outline of Import Related Measures (as of May 13, 2022)		
	Ban on imports	Designated Items
Approval from METI is required	Imports of Designated Items from Ukraine	<p><b>Goods subject to the Sanctions of 2014</b></p> <p>Goods with their origins in the Autonomous Republic of Crimea and the Special City of Sevastopol</p> <p><b>Goods subject to the Sanctions of 26 February 2022</b></p> <p>Goods with their origins in the "Donetsk People's Republic" (self-proclaimed) and the "Luhansk People's Republic" (self-proclaimed).</p>

<p>Import of the Designated Items from Russia (effective from April 19)</p> <p>* There is a grace period of three months after the taking effect thereof (April 19) that allows imports based on contracts concluded before said date to benefit from a transition period.</p>	<p><b>Goods subject to the Sanctions of 12 April 2022</b></p> <p>Alcoholic beverages, timber, machinery and electric machinery</p>
--	--

Outline of Measures Concerning Issuance and Trading of Securities (as of May 13, 2022)	
Main Sanctions	Designated Organizations
<p>Permission from MOF is required for the issuance and offering of new securities in Japan by the Designated Persons.</p> <p>* This applies to securities with a maturity period exceeding 30 days in relation to the Designated Persons subject to the 2014 Sanctions (Sberbank, VTB Bank, etc.).</p> <p>* The maturity period is irrelevant in relation to the Designated Persons subject to the Sanctions of 26 February 2022 (the Russian government, the Central Bank, etc.).</p>	<p><b>5 banks subject to the 2014 Sanctions, and subsidiaries in which said banks have 50% or more equity interest</b></p> <ul style="list-style-type: none"> <li>· Sberbank</li> <li>· VTB Bank</li> <li>· Vnesheconombank (VEB RF)</li> <li>· Gazprombank</li> <li>· Russian Agricultural Bank</li> </ul> <p><b>3 organizations subject to the Sanctions of 26 February 2022</b></p> <ul style="list-style-type: none"> <li>· Government of the Russian Federation</li> <li>· Government agencies of the Russian Federation</li> <li>· Central Bank of the Russian Federation</li> </ul>
<p>Permission from MOF is required for services by a resident pertaining to the issuance and offering of new securities by the Designated Persons subject to the 2014 Sanction (Sberbank, VTB Bank, etc.) and the Sanctions of 26 February 2022 (the Russian government, the Central Bank, etc.)</p>	
<p>Permission from MOF is required when (1) a resident acquires from a non-resident securities issued by the Designated Persons subject to the Sanctions of 26 February 2022 (the Russian government, the Central Bank, etc.) on and after February 26, 2022 and (2) a resident transfers such securities to a non-resident.</p>	

Ban on New Investments and Long-term Loans to Russia (as of May 13, 2022)		
	Target Actions	Target Businesses
Permission from MOF is required (effective from May 12)	<p>Outward Direct Investment by residents pertaining to the said Target Businesses</p> <p>For example:</p> <p>Acquisition of securities pertaining to the acquisition of shares or capital contributions that constitute 10% or more of a foreign legal entity.</p> <p>Acquisition of securities issued by a foreign legal entity, 10% or more of shares or capital contributions of which it holds.</p> <p>Provision of a monetary loan (limited to a loan with a term of more than one year) to a foreign legal entity, 10% or more of shares or capital contributions of which it holds</p> <p>Payment to establish or expand a branch, factory or any other locale in a foreign country</p>	<p>Businesses conducted in Russia</p> <p>Businesses concluded outside Russia by a Russian legal entity (*) or a legal entity which is effectively controlled by a Russian legal entity</p> <p>*Branches, sub-branches and other offices located outside Russia are included.</p>
		<p>Business activities in Russia conducted by a partnership or other organization with a third party with which it has established a joint enterprise relationship</p>
	<p>Payment by a resident made abroad from Japan for the said Target Businesses</p>	<p>Business activities outside Russia conducted by a partnership or other organization with which it has established a joint enterprise relationship together with either:</p> <p>(i) an individual domicile or resident in Russia; or</p> <p>(ii) a Russian legal entity or organization; or</p> <p>(iii) a legal entity or organization effectively controlled by (i) or (ii) above</p>
	Target Actions	Target Businesses
Permission from METI is required (effective from May 12)	<p>The specified category of capital transactions (i.e., a long term (more than one year) loan contract concluded as a settlement method of a price of an import/export or the transfer of industrial property rights, or a guarantee contract for obligations pertaining to an import/export, among others) that fall under the Outward Direct Investment for the said Target Businesses</p>	<p>Businesses conducted in Russia</p> <p>Businesses concluded outside Russia by a Russian legal entity (*) or a legal entity which is effectively controlled by a Russian legal entity</p> <p>*Branches, sub-branches and other offices located outside Russia are included.</p>

- This newsletter is published as a general service to clients and friends and does not constitute legal advice. Should you wish to receive further information or advice, please contact the authors as follows.
  
- The authors of this newsletter are as follows.  
Eiji Kobayashi ([eiji.kobayashi@amt-law.com](mailto:eiji.kobayashi@amt-law.com))  
Kie Matsushima ([kie.matsushima@amt-law.com](mailto:kie.matsushima@amt-law.com))
  
- If you wish to unsubscribe from future publications, kindly contact us at [General Inquiry](#).
  
- Previous issues of our newsletters are available [here](#).